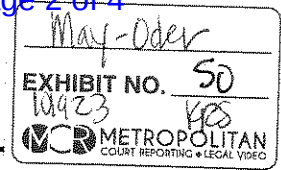


EXHIBIT BD

[PUBLIC VERSION]



Message

From: Nugent, Jackie [/O=FRSMail/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=J1JMN01C9A]
Sent: 11/24/2020 6:37:50 PM
To: Block, Porcia [porcia.block@kc.frb.org]; Humston, Tara L [tara.l.humston@kc.frb.org]; Hazen, Judith [judith.hazen@kc.frb.org]; May-Oder, Christi [christi.may-oder@kc.frb.org]; Zahnd, Craig C [craig.zahnd@kc.frb.org]; Bemboom, Kara [kara.bemboom@kc.frb.org]; Billman, Nick [nick.billman@kc.frb.org]; Weaver, Myles [myles.weaver@kc.frb.org]; Vandivort, Bill [bill.vandivort@kc.frb.org]
Subject: RE: Master account requests - next steps for us to work on

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Thanks, Tara. To add to Porcia's comment about pulling in our capital market SMEs, I'd like my team/SMEs to directly engage with [REDACTED] and Avanti to understand from them how payments/funds flow in their business models. I believe there was openness to that but want to be sure.

**Jackie Nugent**

*Assistant Vice President • Supervision and Risk Management
 Operational Risk in BSA/AML, Information Technology and Trust (ORBITT)*
 P: 816.881.2462 E: Jackie.nugent@kc.frb.org
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From: Block, Porcia <Porcia.Block@kc.frb.org>
Sent: Tuesday, November 24, 2020 12:28 PM
To: Humston, Tara L <tara.l.humston@kc.frb.org>; Nugent, Jackie <jackie.nugent@kc.frb.org>; Hazen, Judith <judith.hazen@kc.frb.org>; May-Oder, Christi <christi.may-oder@kc.frb.org>; Zahnd, Craig C <Craig.Zahnd@kc.frb.org>; Bemboom, Kara <kara.bemboom@kc.frb.org>; Billman, Nick <Nick.Billman@kc.frb.org>; Weaver, Myles <Myles.Weaver@kc.frb.org>; Vandivort, Bill <Bill.Vandivort@kc.frb.org>
Subject: RE: Master account requests - next steps for us to work on

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Tara,

Thanks for sharing your notes and thoughts on how to proceed. I like the idea of identifying a deadline by which to hold ourselves accountable, whether or not we've received input from other stakeholders. I also had January as a marker for decision-making, based on some earlier conversations had. If we were able to narrow in a recommended path by January month-end, that would be ideal. Though if we believe the political winds may have an impact, perhaps that timeline needs to be escalated. Others may have a better sense of the feasibility of that deadline.

Agree; public notice or input would be very helpful here, as it relates to the acceptance of whatever the outcome. The varied perspectives would be put on the table and discussed in open forum so that all can see that the issues are not as clear cut as each side might suggest. As you note, however, this would take time and in my opinion, it wouldn't seem right to delay a decision until this process is over.

My only other thought – in addition to engaging Jackie and Jessie, we might also pull in our capital market SMEs on the team.

Talk to you at 1 pm.

From: Humston, Tara L <tara.l.humston@kc.frb.org>

Sent: Tuesday, November 24, 2020 11:53 AM

To: Block, Porcia <Porcia.Block@kc.frb.org>; Nugent, Jackie <jackie.nugent@kc.frb.org>; Hazen, Judith <judith.hazen@kc.frb.org>; May-Oder, Christi <christi.may-oder@kc.frb.org>; Zahnd, Craig C <Craig.Zahnd@kc.frb.org>; Bemboom, Kara <kara.bemboom@kc.frb.org>; Billman, Nick <Nick.Billman@kc.frb.org>; Weaver, Myles <Myles.Weaver@kc.frb.org>; Vandivort, Bill <Bill.Vandivort@kc.frb.org>

Subject: Master account requests - next steps for us to work on

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All –

I met with Esther on Friday, following a brief call she had with Lael. I don't have much to report on the results of that conversation, other than Lael has asked her staff to focus attention on this issue (Dave Mills/Stephanie Martin), but knows this will be a slow process and we will frustrate these SPDIs in the interim. Therefore, Esther asked if we could pick a date and put together a timeline for when we think we could achieve a view on these issues if we had to build our own case. My gut is she is thinking January and we all know on a political front things are changing and could be a game-changer for how these topics progress. With that in mind, we still need to track forward on a view. Esther also requested a discussion about the SPDI entities to better understand how their payments flow in the system and might affect or not affect broader monetary policy or risk to the payments system if the volume of these were to increase substantially. She inferred that this educational discussion include payments and our staff (Jesse/Jackie)? I think we need to have this discussion in December, even if it is just discussing what we know about the need for these entities and how they operate (or plan to operate).

Below are some notes I took from our discussion, pointing at questions Esther is interested in learning more about.

Idea of a public notice? PSPAC would have to sign off on this. We like the idea of this, but it would definitely take time and delay the process. [I was on a call with our district banking association execs this morning and several commented that they think the Fed needs to go out for public comment on this.]

It seems a starting point for us might be....“you have to have a federal regulator”? Esther often hears the response saying wouldn't you rather have them under supervisory authority? Yes, but it can't be optional to them. If you do this activity outside of a regulated structure, you will be caught/penalized. Bottomline, does attaching to the Fed mean it's going to require Fed supervision?

Is the business model essentially a money market fund model?

Do we understand the liabilities, like a deposit?

What causes it to fluctuate in value? (If we bail out money market funds due to an unstable structure, will that be similar here?)

What is JP Morgan doing with this business?

Exactly what need are their business models meeting for consumers and businesses?

Esther recognizes that at the end of the day, there is something here (business model). Have they invented their own private money? Would like to know what this thing really is and does, and describing how it is like a bank or not.

Questions more targeted to our legal folks:

Can the Fed legally sell stock to anything with a charter or does the entity need to be defined in a certain way?

If one of these entities decided to sue us for our indecision, what basis would they be suing us on? Esther wondered if we had played out this scenario.

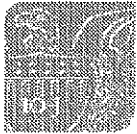
If an answer is needed now, it might be no, not until these issues get worked out and we have the correct regulatory framework in place. Again, what might the basis be their lawsuit?

[REDACTED] as an example, is the substance of what they are doing so ill-defined? Or is the assets are not defined? Leads to the need for well-defined recognition of what rules should apply. Their compliance with consumer regs in this space is untested for both the entity and regulators.

Esther referenced going back to Congress' Hearing with LIBRA to glean the issues raised in that testimony and questions to inform our thinking.

I hope these notes help in what direction we need to dig in and focus our learning to help inform an upcoming discussion.

Tara



Tara L. Humston

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